



PRESS RELEASE

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Date: Feb. 4, 2016

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IRS – Criminal Investigation

CI Release #: CI-2016-02-04-C

Criminal Charges Filed Against Bank Julius Baer of Switzerland with Deferred Prosecution Agreement Requiring Payment of \$547 Million, as Well as Guilty Pleas of Two Julius Baer Bankers

*Bank Admits to Helping U.S. Taxpayer-Clients Hide Billions of Dollars in Offshore
Accounts*

*Bankers Daniela Casadei and Fabio Frazzetto, Fugitives Since 2011, Surrender and
Plead Guilty to Felony Tax Charges*

Acting Assistant Attorney General Caroline D. Ciruolo of the Justice Department's Tax Division, U.S. Attorney Preet Bharara of the Southern District of New York, and Chief Richard Weber of the Internal Revenue Service – Criminal Investigation, (IRS-CI), announced the filing of criminal charges against Bank Julius Baer & Co. Ltd. (Julius Baer or the company), a financial institution headquartered in Zurich, Switzerland. Julius Baer is charged with conspiring with many of its U.S. taxpayer-clients and others to help U.S. taxpayers hide billions of dollars in offshore accounts from the IRS and to evade U.S. taxes on the income earned in those accounts.

Acting Assistant Attorney General Ciruolo and U.S. Attorney Bharara also announced a deferred prosecution agreement with Julius Baer (the agreement) under which the company admits that it knowingly assisted many of its U.S. taxpayer-clients in evading their tax obligations under U.S. law. The admissions are contained in a detailed Statement of Facts attached to the agreement. The agreement requires Julius Baer to pay a total of \$547 million by no later than Feb. 9, 2016, including through a parallel civil forfeiture action also filed today in the Southern District of New York.

The criminal charge is contained in an Information (the information) alleging one count of conspiracy to (1) defraud the IRS, (2) to file false federal income tax returns and (3) to evade federal income taxes. If Julius Baer abides by all of the terms of the agreement, the government will defer prosecution on the Information for three years and then seek to dismiss the charges.

In addition, two Julius Baer client advisers, Daniela Casadei and Fabio Frazzetto, pleaded guilty in Manhattan federal court today. Casadei and Frazzetto were originally charged in 2011 and remained at large until Feb. 1, when they each made initial

appearances before the Honorable Gabriel W. Gorenstein, U.S. Magistrate Judge for the Southern District of New York.

Casadei and Frazzetto each pleaded guilty to an Information (collectively, with the Julius Baer information, the informations) before U.S. District Judge Laura Taylor Swain charging them with conspiring with U.S. taxpayer-clients and others to help U.S. taxpayers hide their assets in offshore accounts and to evade U.S. taxes on the income earned in those accounts.

“In taking responsibility for their actions, Bank Julius Baer has agreed to cooperate and pay a substantial penalty for their role in circumventing offshore disclosure laws, said IRS-CI Chief Weber. “The agreement – as well as the guilty pleas of client advisors Daniela Casadei and Fabio Frazzetto – sends a strong message to the international banking community as well as U.S. taxpayers who think they can outsmart the system by hiding their money in these international banks. The consequences of not reporting your foreign accounts and paying the taxes you owe will be significant for those who do not heed the warnings that agreements like this yield.”

“Today’s resolution with Bank Julius Baer and the guilty pleas entered by two bank employees reflect the department’s continued commitment to hold accountable those financial institutions who conspired with U.S. taxpayers to conceal assets abroad and evade U.S. tax obligations, as well as those individuals responsible for such crimes,” said Acting Assistant Attorney General Caroline D. Ciraolo of the Justice Department’s Tax Division. “The deferred prosecution agreement filed today makes it clear that there is a heavy price to pay for this conduct, and that there is a significant benefit in fully cooperating with the department.”

“Bank Julius Baer not only turned a blind eye to tax avoiders, but actually conspired with them to break the law,” said U.S. Attorney Bharara. “Together with our partners at the IRS, we will continue to prosecute financial institutions and individuals who facilitate tax evasion.”

According to the informations, statements made during the proceedings today and other documents filed in Manhattan federal court, including the statement of facts to the agreement:

The Offense Conduct

From at least the 1990s through 2009, Julius Baer helped many of its U.S. taxpayer-clients evade their U.S. tax obligations, file false federal tax returns with the IRS and otherwise hide accounts held at Julius Baer from the IRS (hereinafter, undeclared accounts). Julius Baer did so by opening and maintaining undeclared accounts for U.S. taxpayers and by allowing third-party asset managers to open undeclared accounts for U.S. taxpayers at Julius Baer. Casadei and Frazzetto, bankers who worked as client advisers at Julius Baer, directly assisted various U.S. taxpayer-clients in maintaining undeclared accounts at Julius Baer in order to evade their obligations under U.S. law. At various times, Casadei, Frazzetto and others advised those U.S. taxpayer-clients that their accounts at Julius Baer would not be disclosed to the IRS because Julius Baer had a long tradition of bank secrecy and no longer had offices in

the United States, making Julius Baer less vulnerable to pressure from U.S. law enforcement authorities than other Swiss banks with a presence in the United States.

In furtherance of the scheme to help U.S. taxpayers hide assets from the IRS and evade taxes, Julius Baer undertook, among other actions, the following:

- Entering into “code word agreements” with U.S. taxpayer-clients under which Julius Baer agreed not to identify the U.S. taxpayers by name within the bank or on bank documents, but rather to identify the U.S. taxpayers by code name or number, in order to reduce the risk that U.S. tax authorities would learn the identities of the U.S. taxpayers.
- Opening and maintaining accounts for many U.S. taxpayer-clients held in the name of non-U.S. corporations, foundations, trusts, or other legal entities (collectively, structures) or non-U.S. relatives, thereby helping such U.S. taxpayers conceal their beneficial ownership of the accounts.

Julius Baer was aware that many U.S. taxpayer-clients were maintaining undeclared accounts at Julius Baer in order to evade their U.S. tax obligations, in violation of U.S. law. In internal Julius Baer correspondence, undeclared accounts held by U.S. taxpayers were at times referred to as “black money,” “non W-9,” “tax neutral,” “unofficial,” or “sensitive” accounts.

Julius Baer also advised its bankers to take certain steps to avoid scrutiny from U.S. authorities when travelling to the United States, as well as steps to avoid U.S. law enforcement identifying Julius Baer clients. In a memo entitled “U.S. Clients Do’s & Don’ts,” circulated internally in 2006, a Julius Baer employee provided client advisers with advice regarding travel to the United States, including:

- “At Immigration . . . When asked by Officer what will you do while in the USA, say Business and of course some leisure, trying to take some time to enjoy your beautiful country. Proud government employees usually love this type of statement. One can throw in skydiving or another fun sport/activity. This tends to shift the questioning away from the business purpose to the ‘fun time’ part of the trip (carrying a tennis racket also puts the emphasis on “fun and games,” and not on business).”
- In regard to communicating while in the U.S.: “Only use mobile phone[s] registered in and operating from Switzerland. Avoid phone calls from hotel to clients. It is recommended to purchase a telephone calling card from the post office, grocery stores, or electronic shops. This allows you to use practically any phone with no specific link left behind. The best is to pay for the calling card in cash. For ex: a 400 minutes local calling card costs less than \$50, but the rates can vary. Most cards can also be used to call anywhere abroad.”

At its high-water mark in 2007, Julius Baer had approximately \$4.7 billion in assets under management relating to approximately 2,589 undeclared accounts held by U.S. taxpayer-clients. From 2001 through 2011, Julius Baer earned approximately \$87 million in profit on approximately \$219 million gross revenues from its undeclared U.S. taxpayer accounts, including accounts held through structures.

Julius Baer's Blocked Effort to Self-Report, Acceptance of Responsibility, and Cooperation in the Government Investigation

Notwithstanding its lucrative criminal conduct, by at least 2008, Julius Baer began to implement institutional policy changes to cease providing assistance to U.S. taxpayers in violating their U.S. legal obligations. For example, by November 2008, the company began an "exit" plan for U.S. client accounts that lacked evidence of U.S. tax compliance. In that same month, Julius Baer imposed a prohibition on opening accounts for any U.S. clients without a Form W-9.

Additionally, in November 2009, before Julius Baer became aware of any U.S. investigation into its conduct, Julius Baer decided proactively to approach U.S. law enforcement authorities regarding its conduct relating to U.S. taxpayers. Prior to self-reporting to the Department of Justice, Julius Baer notified its regulator in Switzerland of its intention to contact U.S. law enforcement authorities. This Swiss regulator requested that Julius Baer not contact U.S. authorities in order not to prejudice the Swiss government in any bilateral negotiations with the United States on tax-related matters. Accordingly, Julius Baer did not, at that time, self-report to U.S. law enforcement authorities.

After ultimately engaging with U.S. authorities, Julius Baer has taken exemplary actions to demonstrate acceptance and acknowledgement of responsibility for its conduct. Julius Baer conducted a swift and robust internal investigation, and furnished the U.S. government with a continuous flow of unvarnished facts gathered during the course of that internal investigation. As part of its cooperation, Julius Baer also, among other things, (1) successfully advocated in favor of a decision provided by the Swiss Federal Council in April 2012 to allow banks under investigation by the U.S. Department of Justice to legally produce employee and third-party information to the department, and subsequently produced such information immediately upon issuance of that decision; and (2) encouraged certain employees, including specifically Frazzetto and Casadei, to accept responsibility for their participation in the conduct at issue and cooperate with the ongoing investigation.

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Casadei, 52, a Swiss citizen, and Frazzetto, 42, an Italian and Swiss citizen, each pleaded guilty to one count of conspiracy to defraud the IRS, to evade federal income taxes and to file false federal income tax returns. Casadei and Frazzetto each face a statutory maximum sentence of five years in prison. The statutory maximum sentence is prescribed by Congress and is provided here for informational purposes only, as any sentences imposed on the defendants will be determined by the judge.

Casadei and Frazzetto are each scheduled to be sentenced before Judge Swain on Aug. 12, 2016.

Acting Assistant Attorney General Ciraolo and U.S. Attorney Bharara praised the outstanding investigative work of IRS-CI and the Department's Tax Division for their significant assistance in the investigation. Acting Assistant Attorney General Ciraolo and U.S. Attorney Bharara also thanked the U.S. Department of Homeland Security for their assistance with the case.

This case is being handled by the U.S. Attorney's Office of the Southern District of New York Complex Frauds and Cybercrime Unit. Assistant U.S. Attorneys Jason H. Cowley and Sarah E. Paul are in charge of the prosecution.

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